

form FmHA or its successor agency under Public Law 103-354 1955-20.

(1) The lease payments will not be applied toward the purchase price.

(2) The purchase price (option price) will be the appraised market value of the property. For farm property, the purchase price (option price) will be the market value of the property, as of the date the option is exercised, as set forth in subpart E of part 1922 of this chapter.

(3) A lease with option to purchase to individuals with leaseback/buyback rights will be for a term not to exceed 5 years. For Preservation Loan Service Programs, refer to subpart S of part 1951 of this chapter. For those individuals that do not have leaseback/buyback rights, a lease with option to purchase farm property will normally not exceed 1 year but may be, in justifiable cases, for a period not longer than 3 years.

(4) If there is more than one prospective lessee that wishes to lease the property with an option to purchase, the County Committee will select the lessee/purchaser in accordance with § 1955.107 of subpart C of part 1955 of this chapter.

(5) Indian tribes or tribal corporations which utilize the Indian Land Acquisition Program will be allowed to purchase the property for its market value less the contributory value of the buildings, in accordance with subpart N of part 1823 of this chapter (FmHA or its successor agency under Public Law 103-354 Instruction 442.11).

(6) Denials of applications for or disputes over terms and conditions of a lease are appealable, pursuant to subpart B of part 1900 of this chapter.

(i) [Reserved]

(j) *Costs.* The costs of repairs to leased property will be paid by the Government. However, the Government will not pay costs of utilities or any other costs of operation of the property by the lessee. Repairs will be obtained pursuant to subpart B of part 1924 of this chapter. Expenditures on custodial property as limited in § 1955.55(c)(2) of this subpart will be charged to the borrower's account as recoverable costs; and on inventory property, they will be charged to the inventory account as nonrecoverable costs.

(k) *Security deposit.* A security deposit in at least the amount of one month's rent will be required from all lessees of SFH properties. The security deposit for farm property should be determined by considering only the improvements or facilities which might be subject to misuse or abuse during the term of the lease. For all other types of property, the leasing official may determine whether or not a security deposit will be required and the amount of the deposit with advice from the State Office staff is requested. Security deposits will be remitted according to FmHA or its successor agency under Public Law 103-354 Instruction 1951-B (available in any FmHA or its successor agency under Public Law 103-354 office) and held by the Finance Office until the leasing official determines to return or otherwise to dispose of the security deposit. The Finance Office Property Accounting Unit will be requested by memorandum to return the deposit to the servicing office for delivery to the lessee; or, if the deposit is to be retained by FmHA or its successor agency under Public Law 103-354, to apply it to the borrower's account (for custodial property) or to the inventory account, as appropriate.

For MFH projects, either the security deposit policy may be suspended or the deposits will be handled as follows:

(1) [Reserved]

(2) If security deposits are no longer to be required and there are outstanding deposits which should be refunded, requests will be handled as they would have been prior to acquisition of the property.

(l)-(o) [Reserved]

[53 FR 35765, Sept. 14, 1988, as amended at 54 FR 20523, May 12, 1989; 56 FR 29403, June 27, 1991; 57 FR 19525, May 7, 1992; 57 FR 31642, July 17, 1992; 58 FR 44752, Aug. 25, 1993; 58 FR 58649, Nov. 3, 1993; 60 FR 34455, July 3, 1995; 60 FR 55122, Oct. 27, 1995; 61 FR 35929, July 9, 1996]

§ 1955.67 Payment of liens.

(a) If real estate was acquired subject to a lien, the servicing official may authorize payment of installments that may include escrow payments to the prior lienholder for taxes, if the property is taxable. Payment will be made according to FmHA or its successor

agency under Public Law 103–354 Instruction 2024–A (available in any FmHA or its successor agency under Public Law 103–354 office). The payment will be charged to the inventory account as a nonrecoverable cost. If it is later determined that continuing to make payments on prior liens is no longer in the best interest of the Government for reasons such as, but not limited to, declining property values or uninsured property losses, the State Director may:

(1) Convey the property to the prior lienholder if the lienholder will agree to accept the conveyance in full satisfaction of the prior lien; or

(2) Discontinue payments to the lienholder, and allow the lien to be foreclosed.

(b) If the State Director determines that paying a lien in full would be in the best interest of the Government, he/she will obtain the advice of OGC with respect to the procedures for paying the lien in full and having the mortgage released or assigned to the Government. The County Supervisor or District Director will obtain from the lienholder a statement of the amount owed and request payment to the lienholder in accordance with FmHA or its successor agency under Public Law 103–354 Instruction 2024–A, (available in any FmHA or its successor agency under Public Law 103–354 Office) which will be charged to the inventory account as a nonrecoverable cost.

[53 FR 35765, Sept. 14, 1988, as amended at 57 FR 36592, Aug. 14, 1992]

§ 1955.68 Payment of taxes.

Property acquired by FmHA or its successor agency under Public Law 103–354 is subject to taxation by State and local political jurisdictions in the same manner and to the same extent as other property of the same kind, unless State law specifically exempts property owned by the Government from taxation. Where jurisdictions change their law or codes to begin taxing Government-owned property, only taxes accruing after the effective date of the change may be paid. A state supplement may be issued with the advice of OGC to cover individual State laws. The servicing official shall notify the appropriate taxing authority(ies) in

writing when title to real estate is acquired by the Government and shall advise that claims for taxes, if applicable, during the Government's ownership should be billed to FmHA or its successor agency under Public Law 103–354 at the County Office or District Office address. When inventory property is taxable, payment will be as follows:

(a) *Suitable or program property.* When property is suited for program purposes, the payment of taxes will be paid in accordance with FmHA or its successor agency under Public Law 103–354 Instruction 2024–A, (available in any FmHA or its successor agency under Public Law 103–354 Office) charging them as nonrecoverable costs to the inventory account. If property was acquired subject to a prior lien, the prior lienholder will be contacted before submitting a voucher to see if that lienholder will pay the taxes.

(b) *Surplus property.* When inventory property acquired under provisions of the CONACT is classified as surplus, taxes will be paid as outlined in paragraph (a) of this section.

(c) *Nonprogram (NP) housing property.* When property is classified as NP and the value is limited to the extent that taxes which accrue before disposal may exceed the value of the property, payment of taxes will be deferred until the property is sold. If the taxing authority schedules a tax sale before FmHA or its successor agency under Public Law 103–354 can sell the property, the value will be weighed against the taxes and the decision made whether to pay the taxes and continue sales efforts or to let the property go for the delinquent taxes. The decision made should be that which is in the Government's best financial interest.

[53 FR 35765, Sept. 14, 1988, as amended at 57 FR 36592, Aug. 14, 1992]

§ 1955.69 Insurance.

Insurance in force at the time property is acquired will not be cancelled; however, no additional premiums will be paid, except as follows:

(a) If organization-type property is operated by the Government after acquisition, workman's compensation coverage will be obtained. If the property is located in a flood-hazard area